

Message Text

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PAGE 01 LISBON 02820 071652Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00
INRE-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 AID-05 SS-15 STR-04 ITC-01 TRSE-00
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FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 0885

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E.O. 11652: N/A

TAGS: ETRD, PO

SUBJ: GSP: FIRST YEAR REVIEW

REF: STATE 67507

1. ALTHOUGH PORTUGAL BECAME ELIGIBLE FOR GSP ONLY IN MID-1976, FIRST INDICATIONS ARE THAT GSP HAS BEEN REASONABLY SUCCESSFUL, ESPECIALLY ON POLITICAL GROUNDS. GSP HAS ELICITED SUBSTANTIAL INTEREST FROM BOTH GOVERNMENT AND PRIVATE SECTORS AND WAS USED BY GOP TO DEMONSTRATE U.S. POLITICAL SUPPORT FOR PORTUGAL. ELIGIBILITY OF PORTUGAL RECEIVED WIDE-SPREAD PRESS COVERAGE AND BOTH EMBASSY LISBON AND U.S. CHAMBER OF COMMERCE WERE INUNDATED WITH INQUIRIES. U.S. CHAMBER ATTRIBUTES AT LEAST 10-15 NEW MEMBERSHIPS TO ITS HAVING GSP INFORMATION READILY AVAILABLE.

2. GIVEN RECENT ELIGIBILITY OF PORTUGAL, THERE ARE NOT YET ANY SIGNIFICANT EFFECTS ON PORTUGUESE ECONOMY, ON TRADE PATTERNS, OR ON U.S. EXPORTS. PORTUGUESE INDUSTRY HAS

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PAGE 02 LISBON 02820 071652Z

NOT YET BEEN ABLE TO RESPOND TO NEW OPPORTUNITIES. INDUSTRIAL SECTOR IS WEAK, UNDER FINANCED AND FOR MOST PART POORLY MANAGED. GOP, ESPECIALLY EXPORT PROMOTION FOUNDATION (FPE), HAS URGED INDUSTRY TO CONSIDER INVESTMENT TO TAKE ADVANTAGE OF GSP, BUT EMBASSY UNAWARE OF ANY INVESTMENTS IN NEW PLANT OR IN PLANT CONVERSION. SOME SPECIFIC ITEMS HAVE BENEFITED FROM GSP TREATMENT. FOR

INSTANCE, ELIGIBILITY OF BOTTLE CORKS MADE WHOLLY OF CORK IMPROVED PORTUGAL'S COMPETITIVE POSITION VIS-A-VIS SPAIN. EXPORTERS REPORT AHT SALES OF WOODEN COOKING UTENSILS, SOME CERAMIC PRODUCTS AND FILIGREE JEWELRY HAVE INCREASED DUE TO GSP. AS FAR AS EMBASSY AWARE, ELIGIBLE PRODUCTS HAVE RECEIVED GSP TREATMENT.

3. MAJOR PROBLEM WITH GSP IN PORTUGAL HAS BEEN NON-ELIGIBILITY MANY PORTUGAL'S TRADITIONAL EXPORTS SUCH AS SHOES, TEXTILES, PORT AND TABLE WINE, SOME CORK ITEMS AND SOME CANNED FOODS AND FISH. MANY EXPORTERS AND EVEN GOP OFFICIALS CONSIDERED GSP AS A U.S. POLITICAL MEASURE AND EXPECTED TO RECEIVE BENEFITS ON ALL ITEMS. FOR EXAMPLE, DURING 45 MINUTE Q AND A SESSION BETWEEN COMMATT AND OPORTO EXPORTERS, MORE THAN HALF OF QUESTIONS INVOLVED ARTICLES INELIGIBLE FOR GSP TREATMENT. GOP AND EXPORTER ASSOCIATIONS SEVERAL TIMES HAVE REQUESTED EMBASSY ASSISTANCE IN MAKING THESE ITEMS ELIGIBLE.

4. CUSTOMS PROCEDURES NOW OPERATING RELATIVELY EFFICIENTLY. TRIP TO U.S. BY GOP CUSTOMS OFFICIALS TO DISCUSS GSP WITH KEY U.S. AGENCIES WAS HELPFUL. START-UP PROBLEMS WITH FORM A AND CLASSIFICATION OF ARTICLES NOW APPARENTLY HAVE DISAPPEARED.
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